

## Message Text

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17

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04 TRSE-00

LAB-04 SIL-01 SAM-01 OMB-01 DODE-00 PM-03 H-02 L-02

NSC-05 PA-01 PRS-01 SS-15 USIA-06 SAI-01 /086 W

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R 141855Z MAY 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 8865

INFO ALL EC CAPITALS 658

AMEMBASSY BERN

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

AMEMBASSY VIENNA

C O N F I D E N T I A L EC BRUSSELS 04311

E.O. 11652: ADS "DECLASSIFIED ON JAN. 1980"

TAGS: EFIN, EEC

SUBJECT: FRENCH AND SWISS ENTRY IN THE "MINI-SNAKE" EC COMMISSION'S  
REACTION TO FRANCE'S ANNOUNCEMENT

REFS: A. PARIS 11789 (NOTAL)

B. BRUSSELS 4195 (NOTAL) C. EC BRUSSELS 3700

1. SUMMARY: FRENCH FINANCE MINISTER FOURCADE WILL  
DISCUSS THE MODALITIES AND TIMING OF THE GOF'S DECISION  
TO RE-ENTER THE SNAKE AT THE EC FINANCE COUNCIL MEETING  
ON MAY 20. COMMISSION OFFICIALS WELCOME THIS DECISION  
AND EXPECT THE FRENCH TO REFOIN WITHING THE NEXT SEVERAL  
MONTHS. OFFICIALS HERE BELIEVE THAT CHANCES FOR SWISS  
ASSOCIATION WITH THE SNAKE ARE NOW ENHANCED. END SUMMARY.

2. FRENCH FINANCE MINISTER FOURCADE WILL DISCUSS THE  
SPECIFICS OF THE GOF'S DECISION TO REJOIN THE SNAKE  
WITH THE EC FINANCE MINISTERS AT THEIR MAY 20 MEETING  
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IN BRUSSELS. SO FAR GOF OFFICIALS HAVE GIVEN NO

INDICATION AS TO THE TIMING OF THE PROPOSED RE-ENTRY NOR AS TO WHAT SPECIFIC CONDITIONS MIGHT BE INVOLVED. COMMISSION OFFICIALS BELIEVE, HOWEVER, THAT FRANCE INTENDS PROMPTLY TO REJOIN THE SNAKE. MOST OFFICIALS HERE INDICATE THAT THE FRENCH WILL NOT ASK FOR MAJOR CHANGES IN CURRENT OPERATIONS OF THE SNAKE BUT THEY DO EXPECT FOURCADE TO RAISE CERTAIN "MODALITIES" ON THE 20TH.

3. MOST COMMISSION OFFICIALS ARE PLEASED OVER THE FRENCH ANNOUNCEMENT. THEY BELIEVE FRENCH RE-ENTRY WILL HELP STRENGTHEN EC MONETARY STABILITY. COMMISSION OFFICIALS INTERPRET THIS ANNOUNCEMENT AS A SIGNAL THAT FRANCE WANTS TO PUSH AHEAD WITH ITS DESIRE TO RELAUNCH EC MONETARY AND FINANCIAL INTEGRATION. THEY SPECULATE THAT FRANCE MAY MAKE SPECIFIC PROPOSALS IN THIS REGARD FOR THE EC HEADS OF GOVERNMENT TO CONSIDER AT THEIR NEXT MEETING OF THE EUROPEAN COUNCIL ON JULY 16-17.

4. SOME COMMISSION FINANCIAL OFFICIALS BELIEVE, HOWEVER, THAT THE FRENCH DECISION IS PREMATURE BECAUSE FRANCE HAS NOT YET FULLY CONSOLIDATED ITS ECONOMIC GAINS. FOR THIS REASON, THEY BELIEVE THAT THE GOF MAY CHOOSE TO DELAY ACTUAL ENTRY UNTIL SEPTEMBER. THIS WOULD ALLOW TIME TO GET THROUGH THE UPCOMING LABOR NEGOTIATIONS AND TO HAVE A BETTER PICTURE OF FRENCH TRADE STATISTICS FOR THIS YEAR.

5. OFFICIALS HERE INTERPRET THE TIMING OF GISCARD'S ANNOUNCEMENT AS BEING PRIMARILY POLITICALLY MOTIVATED. WHEN HE WAS FINANCE MINISTER, GISCARD SAID THAT THE FRANC WOULD STAY OUT OF THE SNAKE ONLY SIX MONTHS. HE CONSEQUENTLY WANTED TO DEMONSTRATE THAT THE FRANC WAS AGAIN CAPABLE OF ADHERING TO THE MARGINS OF THE SNAKE AND THE GOF HAD SUCCEEDED IN STABILIZING ITS ECONOMIC CONDITIONS.

6. OUR SOURCES COMMENTED THAT THE FRENCH DECISION WAS APPARENTLY MADE AT THE HIGHEST LEVELS WITHOUT CLOSE CONSULTATIONS WITH CONFIDENTIAL

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TECHNICAL OFFICIALS INVOLVED IN MONETARY AFFAIRS. FOR EXAMPLE, FRENCH OFFICIALS ATTENDING THE EC MONETARY COMMITTEE MEETING IN DUBLIN ON MAY 9 WERE NOT INFORMED OF GISCARD'S PLANS. IN FACT, THESE OFFICIALS TOLD THE COMMITTEE THAT THE GOF WOULD PROBABLY HOLD OFF REJOINING THE SNAKE UNTIL THE YEAR END. SUBSEQUENTLY, THE GOF SENT A LETTER TO THE COMMITTEE IN WHICH IT APOLOGIZED FOR FAILING TO INFORM THE COMMITTEE OF

THE IMMINENT ANNOUNCEMENT. THE FRENCH PARTICIPANTS IN THE EC CENTRAL BANKERS' COMMITTEE MEETING IN BASLE ON MAY 12 WERE ALSO ILL-INFORMED AS TO THE SPECIFICS OF THE FRENCH DECISION.

7 SWISS OFFICIALS HERE SAY THE FRENCH ANNOUNCEMENT HAS CAUSED THE GOS TO TAKE A MORE POSITIVE ATTITUDE TOWARD THE POSSIBILITY OF SWISS ASSOCIATIONS WITH THE "SNAKE". FRENCH RE-ENTRY WOULD LIKELY REDUCE OR REMOVE THE GOF'S OBJECTIONS (SEE REF C) TO SWISS ENTRY. THE SWISS REPORTEDLY DO NOT PLAN TO JOIN EITHER BEFORE OR SIMULTANEOUSLY WITH THE FRENCH BUT THEY MAY ASK TO BECOME ASSOCIATE MEMBERS SHORTLY AFTER THE FRENCH HAVE RE-ENTERED.

8. THE EC CENTRAL BANKERS' EXPERT (HAYVAERT) GROUP HAS FINISHED ITS TECHNICAL DISCUSSIONS OF THE TERMS OF SWISS ASSOCIATION. TECHNICAL PROBLEMS REGARDING SWISS RE-ENTRY HAVE NOW BEEN RESOLVED. (COPIES OF THIS GROUP'S MOST RECENT REPORT ARE BEING POUCHED TO INTERESTED WASHINGTON AGENCIES). THE EC CENTRAL BANK GOVERNORS REPORTDLY FAVOR SWISS ASSOCIATION. THUS, THE FINAL OBSTACLES ARE, FIRST, A GOS DECISION TOSEEK ASSOCIATION AND, SECONDLY, A POLITICAL DECISION BY THE EC FINANCE MINISTERS TO ACCEPT SWISS ENTRY. OBSERVERS HERE BELIEVE THAT THE FRENCH DECISION NOW MAKE IT MORE LIKELY THAT BOTH OF THESE OBSTACLES WILL EVENTUALLY BE REMOVED. GREENWALD

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